

Internal Revenue Service

Department of the Treasury

District
Director

~~RESTRICTED TO PERSONNEL ONLY~~

Date: 11/10/64

Person to Contact:

Contact Telephone Number:

Refer Reply to:

CERTIFIED MAIL

Ladies and Gentlemen:

We have completed consideration of your application for recognition of exemption from Federal income tax under section 501(c)(3) of the Internal Revenue Code.

The information submitted indicates that you are formed for the purposes of providing special transportation services for college oriented activities, transportation advisement services and benefit services. Your activities will consist of supplying transportation for [REDACTED] students and residents of the [REDACTED] area. Passengers are charged a fee for your services, based on the total cost incurred and the expected number of passengers.

Section 501(c)(3)-1(a) of the Income Tax Regulations provides that in order to be exempt as an organization described in section 501(c)(3), the organization must be one that is both organized and operated exclusively for one or more of the purposes specified in that section. An organization that fails to meet either the organizational or the operational test is not exempt.

Revenue Ruling 72-369, 1972-2 C.B. 245, states that an organization formed to provide managerial and consulting services at cost to unrelated exempt organizations is conducting a trade or business ordinarily carried on for profit and thus does not qualify for exemption under section 501(c)(3).

Section 1.501(c)(4)-1(a)(2)(ii) of the regulations provides that an organization does not qualify for exemption under section 501(c)(4) if its primary activity is carrying on a business with the general public in a manner similar to organizations which are operated for profit.

The information available demonstrates that, like the organization described in Revenue Ruling 72-569, you will be providing services of a commercial nature at cost. Your activities are thus similar to a regular commercial enterprise.

Accordingly, we conclude that you are not organized or operated exclusively for purposes described in section 501(c)(3). You also do not qualify for exemption under section 501(c)(4) since you are carrying on a business with the general public in a manner similar to organizations which are operated for profit. You are required to file federal income tax returns on form 1120. Contributions to you are not deductible under section 170 of the Code.

If you do not accept our findings, you may request a conference with a member of our Regional Office Conference Staff. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office, or, if you request, at any mutually convenient District Office. A self-addressed envelope is enclosed.

If you do not protest this proposed determination in a timely manner, it will be considered by the Internal Revenue Service as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that, "A declaratory judgment or decree under this section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determines that the organization has exhausted administrative remedies available to it within the Internal Revenue Service."

In the event that this letter becomes our final action, as provided in section 6104(c) of the Internal Revenue Code of 1954 and applicable regulations, the appropriate State Officials will be notified of our determination.

If we do not hear from you within 30 days, this determination will become final.

Sincerely,



District Director

Enclosures:
Publication 892
Envelope